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Whither 'training and development' in Vietnam?: learning from United States and Japanese MNCs' practice

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Abstract

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Keywords

learning, united, states, japanese, mncs, practice, whither, development, training, vietnam

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**WHITHER ‘TRAINING AND DEVELOPMENT’ IN VIETNAM? : LEARNING
FROM US AND JAPANESE MNCs’ PRACTICE**

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ABSTRACT:

This paper focuses on the training and development (T&D) policies and practices to explore how multinational companies (MNCs) localize their human resources within their subsidiaries in a developing country. It uses qualitative research methods to examine three US and three Japanese MNCs operating in the automotive and fast moving consumer goods (FMCG) industry in Vietnam. The paper identifies both home and host country effects as significant factors in the transfer of MNCs' T&D policies and practices. Clear home country effects are evident in rigorous attempts of both US and Japanese MNCs to transfer and implement formalized and centrally controlled training program. Host-country effects manifest themselves in the instability of the institutional environment, weak associations amongst employers' groups and fragmented bargaining practices that encourage employer and employee opportunism, particularly 'poaching' and 'job-hopping'. These lead to MNCs' hesitation to invest in T&D, and the lack of job rotation and a tendency to train 'specialists' rather than 'generalists' in the Japanese firms. The paper also discusses the interaction of foreign invested and indigenous firms in a very tight labour market at the highly skilled end that results in brain drain and spillover effect phenomena on HRD.

KEYWORDS:

HRD, HRM, Japanese MNCs, training and development, Vietnam, US MNCs.

INTRODUCTION

This paper deals with training and development (T&D) in a developing country and focuses in particular on this activity in Vietnam. It attempts to learn from US and Japanese human resource management (HRM), and how these multinational corporations' (MNCs) practices have been exemplified in the host-country. The influence of foreign firms' HRD (Human

Resource Development) practices are examined in the context of the globalization process (see Ohmae 1990 and onwards) which has suggested that distinct national economies are subsumed into region-states' and firms' convergent practices (Rowley and Benson 2002, Bartlett and Goshal 1989; Warner 2011). On the other hand, others point to the world-economy as characterized by relatively distinct national economies (see Harzing and Noorderhaven 2009, Rowley and Benson 2002). They suggest that multinationals (MNCs) remain primarily rooted to their country-of-origin nation (Ferner and Quintanilla 1998) but may be faced with a '*think global*', '*act local*' paradox (Harzing and Noorderhaven 2009, Rowley and Benson 2002, Smale 2008).

Aiming in this direction, the paper at hand addresses the transfer of training and development policies and practices in US and Japanese MNCs in Vietnam. It asks the following research questions: 1) what is the extent to which MNCs are influenced by their home experience regarding training and development policies and practices? 2) how far are patterns of behaviour at home refracted through the lens of host institutional constraints and requirements in their foreign subsidiaries in the process of transfer?; and 3) how distinctly do MNCs of different country-of-origins interact and influence the HR operations of each other and their influence on the shaping of HR practices of indigenous firms?

Given its importance, we selected T&D as the generic area of investigation, in order to advance further both theoretical and pragmatic insights into the topic. It not only is the one HR area that bears strong imprints of home-country but also one that potentially contains conflict of interests between MNCs and host- countries, especially developing ones (see Dowling et al 1999, Smith and Meiksins 1995) . We believe that this approach will be the most intellectually fruitful one.

We have structured the paper as follows. The literature review is followed by sections on the research methodology. The empirical findings are then presented within three categories, namely the extent and nature of training, training-programs and the comprehensiveness of training-programs. This section is followed by a discussion and conclusions section.

LITERATURE REVIEW

In our literature review, we have concentrated on two distinct strands of the literature. These are: 1) the transfer of HRM practices across borders, on which a great deal has been written and which we will therefore only report on in summary; and 2) MNCs' training and development policies and practices in Vietnam, which is less well-covered, on which we will report in greater detail.

The transfer of HRM practices across borders

Comparative institutionalism theory has been widely used to study the diffusion and transfer of organizational practices across countries. Operating in more than one country, MNCs confront a multitude of different and possibly conflicting institutional pressures (Ferner and Quintanilla, 1998; Harzing and Noorderhaven 2009). Since it is vital for MNCs to establish and maintain organizational legality in all their host environments, they need to conform to the legal environment, particularly to labour issues, as well as the cultural environment. Furthermore, as argued by Birkinshaw and Hood (1998), subsidiaries possess their own capabilities and resources such as consumption market, resources, and efficiency, which are desirable to the parent company. MNCs therefore are under pressure to adopt local practices in the host countries (Kostova and Zaheer, 1999; Ghoshal and Barlett, 1988; Taylor et al., 1996). This 'host-country effect' which Scott (2001) conceptualizes as the three pillars of

institutional processes - regulatory, cognitive and normative – places a myriad of differing institutional demands on MNCs (Harzing and Noorderhaven 2009, Ferner and Quintanilla 1998) and represent the most significant constraints on the ‘context generalizability’ of HRM practices (Ferner 1994, Geppert and Williams 2006, Whitley 2000).

On the other hand, there is evidence to support the thesis that country-of-origin exerts a distinctive influence on how HR is managed in MNCs (see Bjorkman and Lu, 2001; Yan, 2003; Faulkner et al., 2002; Gunnigle et al., 2002). With headquarters (HQs) being embedded in the institutional environment of the home-country, these features are in-built into each MNC corporate identity (Ferner et al 2005). These country-of-origin effects, in turn, create additional pressure for the subsidiary to maintain internal legitimacy within the MNC’s operations (Kostova and Zaheer 1999), shaping its international orientation, particularly with regard to structure, strategy and HR practices (Ferner and Quintanilla, 1998; Noorderhaven and Harzing 2003).

Kostova and Zaheer (1999) argue that each subsidiary of the MNC is faced with the task of establishing and maintaining both *external legitimacy* in its host environment and *internal legitimacy* within the MNC. Within the host environment, MNCs may maintain external legitimacy by becoming ‘isomorphic’ with their multiple, institutional environments through various negotiation-processes which may lead to ‘adaptation’ or ‘local hybridization’ of practices to suit local demands (Poutsma, Ligthart and Veersma 2006). Some researchers have argued that the ‘institutional pressures’ that necessitate both legal- and cultural-conformity (Vo and Rowley 2010) are often more compelling than pressures arising from the country-of-origin (Gunnigle et al, 2002). In this scenario, headquarters may place less emphasis on transferring HRM practices from the parent corporation to the subsidiary, than on gaining

knowledge and/ or supporting the practices of subsidiaries. Conversely, Bjorkman et al. (2007) suggest that those MNC subsidiaries that choose to transfer and implement HRM practices that are considered particularly suitable for their distinct operations. Similarly, the utilization of organizational capabilities worldwide offers competitive advantage for the MNC (Nohria and Ghoshal 1997). In any case, the pattern of oscillation between centralized-control and subsidiary-autonomy is noteworthy (Ferner et al 2004; Geppert and Williams, 2006).

A focus on MNCs' training and development policies and practices in Vietnam

This section discusses how the transfer of training and development practices is influenced and is shaped by varying factors in host-country systems.

Home-country influences

The US business system can be categorized as a liberal market economy (Ferner 2000, Ferner et al 2001, Hall and Soskice 2001) where economic activities are chiefly regulated by market forces (Clarke and Almond 2004; Farndale et al 2008). Significant changes to the US financial system in the 1980s and 1990s saw a strong surge of 'shareholder value' ideology and an emphasis on 'short-termism' (O'Sullivan, 2000: 155). Historically, market imperatives encouraged the development of centralized management control systems (Clarke and Almond 2004).

The scope possessed by US firms to transfer their practices to host environments is a recurring feature of the literature, and is conceptualized as the Anglo-Saxonization of HRM practices across national borders (Farndale et al 2008). Much research attention has been

placed on areas of distinctiveness, most notably on strategic HRM (Doz and Prahalad 1984, Pudelko and Harzing 2007; Schuler and Jackson 2005). Whilst the ‘short-termism’ that characterizes the American model may limit long-term stable relations with employees (O’Sullivan 2000; Hollingsworth 1997) research conducted on North American MNCs suggest that they provide good training for expatriate managers, as well as learning and opportunities for local managers. The focus is driven primarily by the goal of human capital building through targeted training initiatives (Banks 2004, Giardini, Kabst and Muller-Camen 2005). There is also support for a positive role for higher levels of work-related training for more educated employees (Van Smoorenburg and Van der Velden 2000; Tan and Lopez-Acevedo 2003).

On the other hand, Whitley (1999) classifies Japan as a ‘collaborative national business system’; whilst Hall and Soskice (2001) categorize it as a ‘coordinated market economy’; and Ahmadjian and Robbins (2005) liken its business environment to a ‘community’. These classifications both emphasize that ‘institutional cooperation’ (Dore 1987, Elgar and Smith 1994, Orru 1997, Yu and Meyer-Ohle 2008) is the key feature of Japanese capitalism (McGuire and Dow 2003).

The Japanese HRM system develops long-term strategies. The stereotype of HRM practices in Japan, characterized by the three pillars: lifetime employment, a seniority-based wage structure, and enterprise unionism, is well-known. The normative pattern in large Japanese firms nurtures long-term employment, internal skill formation and the development of the internal labour-market (Ahmadjian and Robbins 2005). Japanese large firms invest extensively in training. The emphasis on job-rotation creates an environment in which an employee becomes a ‘generalist’, rather than a ‘specialist’ (Pucik and Hatvany 1983, Kono and Clegg 2001).

Host-country influences

In 1986, the Vietnamese introduced a reform program, known as *Doi Moi*, to liberalize the economy from a socialist to a more market one (see Collins 2009). In 2010, Vietnam's Gross National Income per capita was \$US 2,910, classifying Vietnam as a 'lower middle-income' economy (\$1,006 to \$3,975) (World Bank 2011). Meanwhile, FDI is one of the most essential sources of investment (World Bank 2005, 2011). The sub-systems (financial, educational and training systems, network of business associations, and system of HRM and so on) remain constantly under pressure of change and innovation (Vo 2009).

Since *Doi Moi*, the Vietnamese education has undergone significant renovation and achieved important results such as increased enrollment, diversification of delivery modes, improved school infrastructure, etc. (MOET, 2006). However, even though mass education level is high, Vietnam has a scarcity of highly-skilled labour. Around 96 per cent of the Vietnamese population is literate and 80 per cent went to primary school. But, the skilled-labour force accounts for only 8 per cent of the total labour-force (MOLISA 2002, p. 7). Hayden and Thiep (2007, p. 74) state that only 10 per cent participates in the higher-education system (Truong and Swierczek 2009). Furthermore, there is a chronic mismatch between the output of the education-system and the input of corporations (Duoc and Metzger 2007, Hargreaves et al. 2001, MOET 1997, MPI 2006).

There are several reasons for this 'training- gap'. First, there is resistance to vocational training and a preference for university (Beresford 1988). Second, graduates lack practical experience and skills and fail to meet employers' requirements (Duoc and Metzger 2007, Vo 2009). The curricula are not related to practical training-needs (Hargreaves et al. 2001), Thang and Quang (2007) suggest that 80 per cent of students need to be re-trained before assigned to work. Third, labour-market data in Vietnam is scarce, so employers are not well-

informed (Duong and Morgan 2001). This state of affairs in reality is, however, not that dissimilar from that found in China today (see Warner and Goodall 2009).

Training-studies focus on different sectors in Vietnam (McDaniel et al 1999), including small and medium businesses (SMEs), state owned enterprises (SOEs) and MNCs and confirm a positive relationship between training-investment and organizational performance (see Gieb 1999, King-Kauanui et al. 2006, Thang and Buyens 2008). Thang and Quang (2007) stated that whilst most Vietnamese organizations are aware of the link between training and performance, they often lack resources to implement it. This fact leaves employees with little option but to seek self-development through vocational schools, colleges and universities (Vo 2009).

In the context of SMEs, King-Kauanui et al.'s (2006) research on training-initiatives in 200 Vietnamese manufacturing corporations determined a positive correlation between higher levels of spending on training and higher levels of SME performance. Nevertheless, whilst most of the SMEs participating in the study provide some form of training for their employees, it is largely informal, a common feature of SMEs. Furthermore, SME's put limited resources into training. Thang and Quang (2007) indicate poor outcomes due to weak HR resources.

Research suggests that MNCs invest more into training initiatives than either SMEs or SOEs (Friedman 2004, Thang and Quang 2007). According to Thang and Quang (2007), foreign investors understand lack of skills and qualifications in the labour-market and make training a priority. Gieb (1999) in interviews of Vietnamese managers of US subsidiaries in Vietnam found that it used as a key strategic management tool. Joint-ventures and foreign-owned corporations offer training facilities and highly skilled expatriates to help (Thang and Quang

2007, Thang and Buyen 2008). Training may thus be considered as a means of supporting organizational strategy.

METHODOLOGY

To elucidate the above linkages, we utilize a case-study strategy in this study due to the need to examine in detail the employment practices of corporations in this domain (see Noble 1997). For the purposes of this study, a qualitative methodology represents an appropriate means of capturing such detail (Yin 2009). We thus conducted interviews in-depth at six MNCs, three of which are Japanese MNCs and another three are US MNCs in automotive and fast-moving consumer good (FMCG) industries. In this research, multi-case studies are expected to effectively represent American and Japanese companies operating in these two industries. It is important to have more than one case study in order to compare/ contrast cases and test the relevance of arguments in different contexts. As Eisenhardt (1989) argues, the strength of a multiple case study method of research comprising over five cases is the potential for a higher level of applicability of findings generated, as it enables one to test explanations and models through a ‘replication logic’ across cases.

The selection of samples of companies is, clearly, a crucial decision. Not only has the sample to be of US/ Japanese nationalities in the automotive and FMCG industry, it has to be feasible within fixed constraints of time, finance, and most importantly, accessibility. Some criteria govern the choice of firms: (1) Priority is given to companies that have been in operation for a longer time. The purpose is to investigate their HRM in general and T&D activities in the longest possible time span; (2) Priority is also given to MNCs that have a larger number of employees, where the ‘clash’ between the practices emanating from the US / Japanese business system and the emerging Vietnamese system can be seen; and (3) The selected firms should be relatively comparable in terms of their investment capital, capacity and number of employees. With these criteria, six companies were chosen, with three companies in each industry. The investigated corporations (see Table 1) are coded as follows:

- US Auto, JP Auto1 and JP Auto2
- US FMCG1, USFMCG2 and JP FMCG

INSERT TABLE 1 ABOUT HERE

Table 1: Description of Firms in the Study.

NATATIONALITY	FIRM	PRODUCTION	AGE/YR	LOCATE	SIZE*
US	US Auto	Car Assembly	>10	North	Med.
JP	JP Auto1	Car Assembly	>10	North	Med.
JP	JP Auto2	Motorcycle Assembly and Production	>10	North	Large
US	US FMCG1	Personal Hygiene	>10	South	Small
US	US FMCG2	Personal Care	>10	South	Large
JP	JP FMCG	Personal/Household	>10	South	Med.

NOTE: Size is based on no of employees; Small = >250, Med = 250-500; Large = >500.

The study took place during a six-year period from 2001 to 2007 and included three fieldwork trips in Vietnam, totalling more than nine months. Multiple interviews (see Table 2) were held with key informants. The two groups comprised of: 1) internal interviewees, including the management of corporations and employees on the shopfloor (workplace-level); and 2) outside interviewees, including central and local-government authorities (macro-level). With the first group: corporation profile and structure, training and development policies and practices, constraints and opportunities offered by the Vietnamese context and the mechanisms the corporation had developed to cope with local situations. Interviews were also conducted with government officials at national and local levels.

The results of interviews in Vietnam were enhanced by documentary analysis and interviews

held at (or questionnaires sent to) the headquarters of the studied corporations. The main purpose of the interview/questionnaire conducted at global/regional level was to identify which international HRM policies were present at this level and to what extent the corporations expected them to be transferred to Vietnam.

INSERT TABLE 2 ABOUT HERE.

Table 2: Interview Distribution of the Case Studies

Company	Interviews	Managers	Employees	Union
US Auto	31	20	9	2
JP Auto1	14	5	7	2
JP Auto2	17	8	7	2
US FMCG1	16	8	6	2
US FMCG2	11	6	4	1
JP FMCG3	12	3	8	1
<i>Total interviews conducted at workplace</i>	<i>101</i>			
Interview outside companies	21			
Total	122			

The processing of fieldwork data relied mainly on an explanation building technique and within-case and cross-case synthesis. Such an approach is a result of a series of iterations,

where initial theoretical propositions are compared with initial findings and revised, probably several times, as data from all cases are collected (Yin, 2003). Therefore, the final explanation may not have been fully stipulated at the beginning of the study. In this research, the initial literature review enabled the researchers to progressively gain ‘theoretical sensitivity’ (Glaser, 1978 cited in Maxwell, 1996: 77) and was used to generate themes and issues for the first fieldwork. After the first fieldwork, when the general picture of the cases had emerged, the research questions were re-defined, new themes were recognised, the focuses were narrowed down, and gaps left unintentionally were identified. All this was taken into consideration in the second fieldwork. Moreover, preliminary findings were discussed with the companies during the second and third fieldwork. It was useful in relation to the validity of the data because it enabled the researcher to get feedback from the companies on how plausible the emerging interpretation was.

The analysis has two key steps: within-case analysis and cross-case analysis. Within-case analysis involved brief case study write-ups for each company. The idea here was to become familiar with each case as a stand-alone entity. This process allowed the distinctive patterns of each case to emerge before generalising patterns across cases. The next step was to analyse cross-cases. In order to manage the immense amount of data collected and to avoid ‘data asphyxiation’ (Pettigrew, 1990: 281), it was decided to index all the collected information and then organize and structure them by main themes (similar to the themes in the interviewing questions). This was coupled with within-case analysis, to make sure that the information/ evidence placed within each theme was not unrelated to the company as a whole and was able to reflect the characteristics of the company. In this step, within theme similarities and differences were sought. Once general patterns and differences were identified and tentative explanations elaborated, these were compared with the evidence of each other case, through a ‘replication logic’, which made it possible to extend them, qualify them or eventually drop them (Eisenhardt, 1989).

EMPIRICAL FINDINGS

This section looks at training and development in the US and Japanese MNCs under three categories, namely 1) the extent and nature of training, 2) the training-programs and 3) the scope of training-programs.

The extent and nature of training

In the automotive industry, training and development is formalized and centrally controlled, especially during the early years. The subsidiaries' training activities are monitored and backed up by experts from HQs or other countries who might drop by for irregular quick 'check and fix' sessions, followed by an annual full-audit. Training is one of the ten components of the US Auto-Production System, which have been audited annually on a global scaled score¹. US Auto's Production Manager commented that 'T&D is one of the most crucial dimensions of quality-control from HQs'. The use of 'coercive comparisons' (Edwards et al 1993, Ferner and Edwards, 1995) tightens the co-ordination process from HQ and limits subsidiaries from diverging themselves from the global mould. Similarly, training is central in JP Auto1's Production-System, which is audited annually on a global scaled score. Training and development courses offered cover both production-related and managerial- skills. Vietnamese managers are sent to the HQs or other overseas subsidiaries to attend short-courses and training-programs (Collins 2009) as may be the case with American MNCs operating in China (see Warner and Goodall 2009).

On the other hand, in FMCG industry, training-practices diverge. US firms invest more on T&D - than their Japanese counterparts. However, more vigorous attempts to increase the quality of managerial-staff - but little effort is put on blue-collar workers, citing the reason

¹ US AutoProduction System's ten components consist of managing, training, work groups, administration, machine, safety, total inventory, manufacturing, engineering design and material flow.

that the simplicity of the production-process requires very little training. Line-workers are only trained for basic production-techniques on their induction-program. US FMCG2's Marketing Manager said:

'There is a huge difference between training provided to managers, especially higher level ones, and that to employee. Middle level managers are often sent to attend short courses overseas and courses provided by local training providers. Moreover, the company often invites foreign trainers to the main office to train managers on special management skills topics...On the contrary, jobs at the factory require simple manual skills. On-the-job training is sufficient.'

In the studied Japanese firms, training is production- focused and based on an *ad hoc* basis (production-needs and the availability and convenient timing of courses offered by the corporation or outside training providers). The Japanese FMCG human resources manager interviewed received no preparatory training to equip him to take on the challenges of the post and needed hard self-study. Training mainly focuses on technical-workers and involves learning through the assistance and supervision of a senior- employee, normally the production-line leader, who helps the trainee learn skills applicable to the production-lines.

Interview data reveals that the US firms tend to invest more in training for their managers than Japanese firms do. A lower level of investment is recorded in FMCG industry compared to automotive one (see Table 3).

INSERT TABLE 3 ABOUT HERE

Table 3 Training Provided to Managerial Staff

Company	Training time/working time	Training expenditure/employee (\$US)
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US Auto	approximately 10%	>300
JP Auto1	8%	167
JP Auto2	7%	141
US FMCG1	5-6%	>200
US FMCG2	6%	about 250
JP FMCG3	3%	64

Source: Company data and interviews.

Training-programs

As a rule, management-training-programs in Vietnam must start with the very basics of business-education in their curriculum. Both American and Japanese employers provide broad-based foundation training for their staff as a basis for further training which is provided afterwards. The HR Manager of JP Auto1 stated that:

‘Our motto is “recruit for attitude and train for the skills”. We all know the shortcomings of our university education – students are well-versed with abstract subjects, such as communist philosophies, history of economies, etc. but they do not have what really matters at workplace- practical skills...We have complete programs to build up our employees’ skills almost from scratch.’

Similarly, US Auto has implemented a ‘learning-tree’ training scheme with roots (basic business skills) (stage 1), trunks (functional-skills and advanced business-skills) (stage 2) and leaves (management- and leadership- skills) (stage 3). In the first stage of its program, 100 percent of staff is required to participate in basic business-skills training to ensure that all employees have basic business-awareness and speak the same business-language. In the next stages, the corporation seeks to develop potential managers only. In the same way, JP Auto2

develops a model of ‘Six Steps’ on-the-job training which covers the corporation’s whole workforce. Step one is for the lowest-level of employees and step six is for managerial-staff members. Six Steps aim to upgrade employees-skills and knowledge from the very basic level, such as to complete routine repeatable jobs under detailed-instructions and regular-supervision (Step one) to use own judgments and creativity to complete tasks with limited supervision (Step 6). An interviewed worker at this company proudly revealed to the researchers that he has proceeded to Step 4 and that it has taken him years to reach there. This interviewee, together with others, confirmed that although they have worked elsewhere before joining the companies, they felt like a ‘white sheet of paper’ when they started their intensive training programs in the companies.

Managers and professional/technical staff tend to undergo more external training-programs than internal. When internal training mode was used, it was mainly on-the-job training for clerical-, sales- and production-employees. Employees can choose the courses to suit their personal development-needs or take them as a compulsory requirement for their current/ new posts. Many of these programs are taught overseas or led by foreign experts so that Vietnamese managers can gain international experience. US firms offer ‘shadowing opportunities’, where potential persons follow managers in the US full-time. A top manager at US FMCG1 commented that:

‘The shadowing opportunities that I have had were incredible learning experience for me. Not only I have learnt certain knowledge, but most importantly I also learnt from expatriate managers their working styles, the way they handle problems, their leadership styles. Through them, I also met different people and made precious contacts that have been so helpful to my current work.’

US Auto1’s HR Manager also commented that

‘Only by obtaining training at this high level could Vietnamese managers be equipped with the necessary knowledge and prepare themselves for future opportunity to take up key positions in the company that currently are occupied by expatriate managers’.

One of the more advanced approaches adopted by the studied MNCs is e-learning. This medium uses corporation’s networks to deliver training-courses to employees and thus allows Vietnamese employees to get access to a well of knowledge available to the corporations’ global-workforce. However, as a type of education where the medium of instruction is computer-technology without personal-interaction, e-learning has certain weaknesses, such as the lack of instructor-interaction (Bank 2004). In the Vietnamese context, some interviewed managers point out that e-learning might not be optimal as the workforce might not have a strong knowledge-platform to make a good use of the corporation’s global resources.

Corporations in automotive industry also introduced a relatively new training concept, especially in Vietnam, namely ‘blended-learning’. This aims to overcome the inadequacies that evolve from e-learning, with two or more methods for delivering training (Bersin 2004, Mackay and Stockpot 2006). A popular style of a blended-learning program involves combining both e-learning and manager-led on-the-job training. This style of training is popular with Vietnamese employees and to be more efficient than a singular classroom or e-learning program. Blended-learning also transfers the responsibility of learning to the individual, provides more immediate feedback from the supervisor and offers greater flexibility in delivery (De Jong and Versloot 1999).

US corporations focus on cross-culturally based policies, such as a minimum of one week per-year of training and development for each manager, an in-house top management-program and management forum, where participants are executives from all regions. The

management forum in particular is a popular training tool to Vietnamese managers, who have good control of English. An interviewed manager at US Auto said:

‘This presents an excellent opportunity to ‘learn from a well of knowledge and interact with other employees from different countries.’

In the same line of thought, an interviewed manager at US FMCG2 point out that:

‘I have learnt a lot from other managers in other countries. If we have a problem at work, we can post an email on the forum and ask for advice from those that have experienced the same or similar problems. People from over the world might reply and I often feel overwhelmed at how enthusiastic they are to help.’

By contrast, Japanese corporations encourage employees to identify themselves within the corporation by emphasizing its philosophy. In addition, e-forums and e-networks contribute to create a global culture and transfer ‘soft skills’.

In the Vietnamese market, corporations are faced with a dilemma – they could spend a fortune on training their management staff - only to see them leaving the corporation (newly-equipped with skills which make them more desirable in the market) for higher- paying employers, in many cases a competitor-corporation. JP FMCG’s HR Manager complained that:

“It is a real headache! We train them and they leave. But if we do not train them, they leave too! Or worse, they stay because they think no one else might want them!”

Preventative strategies have been applied to keep trained- managers with the corporations and reduce a ‘regretted’ turnover-rate. US Auto, US FMCG1 and US FMCG2 provide training-programs and/ or financial support to managers’ self-education only on the condition

that they will be bound by a legal contract with the corporation to stay for at least 5 years after. JP Auto1, JP Auto2 offers highly firm-specific training-courses (such as the corporation's New Circle Leader, Training Within Industry, Corporation Philosophy and so on), which improve promotion internally but are of little help for these persons in seeking jobs elsewhere. No 'normal' degree or certificate has ever been given. The corporations thus limit the ability of their employees from using the knowledge to advance their positions elsewhere.

Comprehensiveness of training-programs

In general, training-programs in the studied Japanese firms heavily focus on technical knowledge and neglect people- management skills, whilst a more balanced approach can be seen in the US firms (on Chinese practice, see Warner and Goodall 2009). Well-structured and organized training-systems are evident in the US firms. Training needs are identified as a cycle which requires close cooperation between supervisors and subordinates. Managers' training needs are discussed annually, based on three factors: the corporation business plan, the departmental improvement-goals and individual's personal-needs. Training results are monitored to allow a continuous improvement training-cycle.

A second feature which the four US corporations share is their commitment to job-rotation. The arrangement for this is fairly formal at least on paper, although results vary significantly. Managers are required to select the area of expertise they wish to move to, whilst supervisors are responsible for providing them with training for new jobs. US FMCG1 reports no difficulty in inter-functional mobility; they report 25 percent of their management qualified for the second-phase.

Even so, US Auto states that ‘meaningful rotation is rather limited at the top levels.’ Due to the workload and endeavor for high-performance ratings, sections/ departments/ firms tend to resist rotation. Nonetheless, US corporations develop interdisciplinary skills on a localized basis.

By contrast, in most Japanese subsidiaries in Vietnam, job-rotation is not popular. Even though some limited movement has been recorded, for example staff went from HRM to PR departments, the movement is for the convenience of the corporation rather than as an intended rotation. Doing so for workers in production-lines is more popular. Vietnamese managers in these corporations are often seen as stuck in narrow specialisms. JP Auto2 serves here as an example. An ethnocentric approach in global staffing-strategy restrains JP Auto2 from developing their local-managements. The ‘Rotation Rule’, which requires a person not to remain longer than 3 years at their post, is applied to senior levels only. In effect, this preempts rotation for local managers. JP Auto2 shows a strong trend towards developing Vietnamese managerial ‘specialists’ rather than ‘generalists’. These practices are totally in contrast with what is recorded back in Japan.

DISCUSSION AND CONCLUSIONS

The aim of this research is to investigate three key areas: 1) the extent of home country influence on the transfer of T&D policies and practices; 2) how host country effects influence this process; and 3) how MNCs interact with each other and the influence MNCs have on the shaping of HR practices of indigenous firms.

Regarding *home-country influences*, findings from this study confirm that the distinctiveness of the US and Japanese models of training for local managerial staff-practices are refracted

and diffused in the transfer process. They also give weight to the argument that the ‘ethnocentric’ approach utilized by HQs of both Japanese and US MNCs (Harry and Nakajima, 2007) may not be applicable to all industry sectors. More comprehensive training initiatives were evident in the automotive- than in the FMCG-industries (cf., Rosenzweig and Singh 1991).

In the case of Japanese MNCs, key elements of the typical Japanese training-system, such as job-rotation and managers’ training towards a generalist career-path (Ouchi 1981, Pucik 1984) were *not* present in the Vietnamese subsidiaries, although interviews with Japanese expatriate managers and questionnaires sent to the studied-firms’ HQs confirmed these practices were exant in Japan. One may argue that MNCs themselves may consider the transfer of HRM to be unnecessary for successful operations in Vietnam.

The findings of this study also provide evidence to support the characterization of Vietnam as a *weak* or *permissive* host-business system (see for example, Whitley 1992, Collins 2009).

Yet a host-country may still poses constraints that inhibit MNCs’ ability to maintain distinct HRM practices. Such hindering factors do not come solely from a wall of legislation, but rather from weaknesses that exist in the system. Weak associations that exist amongst employers’ groups and fragmented bargaining-practices may encourage employer- and employee-opportunism, particularly in the way of ‘poaching’ and ‘job-hopping’. Findings from this study suggest blocking-strategies being used by both US and Japanese MNCs as a means of coping with these institutional weaknesses. US MNCs sign binding-agreements committing managers to their firms for at least 5 years as a prerequisite for the provision of training programs, whilst Japanese MNCs provide highly firm-specific experience.

Due to weaknesses in the educational and vocational training systems in Vietnam, there is increasing expectation placed on MNCs to improve the skills of the existing labour-market

(see Thang and Quang 2007). The onus for introducing training- efforts to upgrade the quality of the workforce has progressively shifted to the MNCs (Gieb, 1999) and these may represent a necessary strategic investment (Thang and Buyens, 2008). Furthermore, the Vietnamese Labour Law emphasizes the importance of on-the-job training and stipulates that an employer ‘shall be responsible for arranging improvement of the trade skills of its employees and for re-training employees who are assigned to other jobs within the enterprise’ (Vietnamese Labour Code, 2002, article 23). Incentives are offered to enterprises in the form of tax exemption to encourage in-house training for their employees (Vietnamese Education Law 1998, Labour Law 1992). In theory, the law provides scope for the integration of training into business strategies and HRM systems. However, this study points out that MNCs are not necessarily willing to shoulder these responsibilities, as in the case of the FMCG industry.

Last but not least, this study demonstrates an interaction between MNCs of different home countries in a *tight labour-market*. At the highly-skilled end of the labour-market, MNCs are in the position where they have to offer training-opportunities for their local staff-members in order to retain them. All interviewed Vietnamese managers acknowledge that the opportunities for further development in the form of ‘foreign invested corporations’ training and overseas-exposure are amongst one of the strongest influences in their decision to work for them.

As far as the ‘*brain-drain*’ is concerned, turnover- rates for senior levels in Japanese firms are much higher than in US firms. In the automotive-industry, it has been around 7-9 percent in US, compared to 22-25 percent in Japanese firms. Meanwhile, in the FMCG industry, turnover-rates are consistently lower, but JP FMCG also recorded higher turnover- rates of 15 percent - compared to 9-13 percent - in their US counterparts. Interviews conducted by JP

Auto2 and JP FMCG vis-à-vis ‘regretted’ turnover show that the most cited reason for leaving the corporations was the perceived lack of training or the feeling of receiving fewer opportunities.

The authors have seen evidence of a ‘brain-flow’ from the Japanese firms and indigenous firms to US firm but no case of movement in the opposite direction. The production-manager of US Auto could easily name top/key performers in JP Auto1 or JP Auto2. The competition for high-quality staff is fierce and poaching is popular in a tight labour-market. The production- manager of US Auto can name top/key performers in JP Auto1 or JP Auto2. Highly-experienced painters of SOEs in the automotive- industry (such as Song Cong Diesel Corporation, Machinery Spareparts Corporation No.1, Co Loa Machinery Corporation, etc.) are hunted by MNCs. Some senior painting-workers of JP Auto2 were recruited from VEAM, whilst one of US Auto was poached from JP Auto2. US Auto’s Regional Sales-and-Marketing Manager used to work as another Japanese automotive-firm’s equivalent. US FMCG2’s Production-Manager used to work for JP FMCG. US Auto’s HR-Manager used to work for JP Auto1. MNCs have become magnets for younger employees, who possess up-to-date knowledge and technology, including those undergoing training and studying abroad. This trend leads to the domestic ‘brain- drain’ (O’Connor 1996; ITCT Staff 1999; Bonwick & Associates 1999). Without the ‘in-time’ transformation and reform in HRM field, state-firms are losing their ability to compete against MNCs in their own country.

As far as the *spillover effect* is concerned, the important role of MNCs in management-technology of Vietnamese is indisputable. Domestic firms can observe foreign firms’ ‘best-practices’ and imitate them, which will result in production- and management-improvements. With competition, domestic firms are more likely to introduce new management-technologies earlier than would otherwise have been so. MNCs can, therefore, create spillover- effects

through labour-turnover, when employees in MNCs decide to move to domestic firms or start their own SMEs (Blomstrom & Kokko, 1996) or in the interactions with their Vietnamese partner in the joint-ventures (as in the case of US Auto, JP Auto1, JP Auto2). Le (2007) finds significant ‘spillover-effects’ in Vietnam during mid-1990s and early-2000s. This study concurs with these arguments. It points out the pressure of providing training to local staff-members and a high turnover- rate confirm a ‘spillover-effect’ of training from foreign-invested sector to SOEs in the same industry. However, as noted by Ca (2009), the knowledge that SMEs and SOEs learnt from MNCs might be restricted to simple levels of production operations, whilst the learning and transferring of innovation knowledge (R&D, design) may be limited.

LIMITATIONS

This research was, however, conducted within a finite timescale and is subject to limitations in both methodology and scope. First, it concentrates only on the US and Japanese subsidiaries of two industries. In general, it witnesses an attempt by corporations to transfer relatively constructive policies and practices. However, if the research had investigated more labour-intensive industries (textiles, footwear and so on) and/or corporations of different nationalities, especially those of, say, Hong Kong, South Korea and Taiwan, which are notorious for their cost-reduction strategies, it might have gained a different picture.

Furthermore, by adopting a qualitative-method, this research does not rely on a large sample, as would occur with a survey-approach, and thus generalization to a large number of MNC subsidiaries is risky. However, we do hope that we have shed light on the transfer process of T&D practices from US and Japanese MNCs to their Vietnamese subsidiaries and the current situation of T&D in these firms.

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